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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC 9192
INFO RUCNCIS/CIS COLLECTIVE
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RUEHBJ/AMEMBASSY BEIJING 0478
RUEHKO/AMEMBASSY TOKYO 0348
RUEHAK/AMEMBASSY ANKARA 2651
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RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC//DHO-2/REA/NMJIC-J2//
RUEKJCS/JOINT STAFF WASHINGTON DC//J5/RUE//
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UNCLAS SECTION 01 OF 02 ASHGABAT 000843

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SUBJECT: TURKMENISTAN: NEW WAVE OF CONSTRUCTION - TURKS GET MOST CONTRACTS

REF: A) 06 ASHGABAT 267

B) 06 ASHGABAT 923

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: President Berdimuhamedov is continuing the process begun by President Niyazov of transforming Ashgabat into a city of massive white marble buildings. Just as before, construction in Turkmenistan is primarily carried out by Turkish companies and the French company Bouygues. Since taking office, Berdimuhamedov has signed construction contracts worth nearly \$900 million. Both the government of Turkmenistan and the construction companies claim that all projects are awarded on the basis of open tenders. However, the final decision rests with the president himself. Construction of "elite" 12-story apartment buildings of various ministries and government agencies continues apace on major streets of Ashgabat. The current administration is also remaining faithful to Niyazov's decree from February 2006 to build 20 schools and 20 kindergartens in Ashgabat (Ref A). END SUMMARY.

PROJECTS IN ASHGABAT

13. (SBU) During the first six months of his presidency, Berdimuhamedov signed over 50 construction projects worth almost \$900 million. Nearly \$700 million of that total is earmarked for projects in Ashgabat and surrounding areas. The late president Niyazov dreamed of lining the major streets of Ashgabat with new 12-16 story white marble residential buildings, so called "elite housing" that promise "increased comfort and improved design." Ashgabat is already full of such buildings, and government ministry office buildings are also being modified to fit this pattern. Currently, the Ministry of Foreign Affairs is sheathed by construction material in anticipation of a new white marble exterior. Moreover, Niyazov had decreed construction of 20 new schools and 20 kindergartens in Ashgabat (Ref A) to service residents of these new neighborhoods.

14. (SBU) Socio-cultural projects, such as a Museum of Live Nature (zoo), Museum of the Turkmen Carpet, health resort centers, and a number of ministry administration buildings have evolved from theoretical to actual projects.

15. (SBU) Berdimuhamedov has repeatedly emphasized that the quality of construction and compliance with seismic standards must be the primary considerations for all contractors. Quickly built apartments have a history of delivery to occupants with inoperable utilities and unfinished interiors. Therefore, the president has reiterated that residential buildings must be "fully completed" prior to passing apartments to their future owners.

PROJECTS IN THE PROVINCES

16. (SBU) Unlike his predecessor, however, Berdimuhamedov is turning his attention to the periphery as well. Although not at the same pace as in the capital city, construction is booming in the provinces. By the end of 2008, all provinces except Ahal should receive a "Mother and Child" maternity hospital (\$12 million each), which was part of the president's platform during his election campaign. In Dashoguz province, he decreed construction of a new agricultural university (\$38 million), a potable water factory (\$28 million), and Ruhyet Palace that is intended for high-level meetings and concerts (\$20 million). The government of Turkmenistan also plans projects in Mary province, such as a new building for the State Energy Institute (\$28 million) and for the main mosque (\$14 million). A school and a kindergarten (\$12.5 million) are going to be built in the city of Turkmenbashi in Balkan province. In Lebap province, only a maternity hospital is on the drawing board.

TURKISH CONSTRUCTION COMPANIES

17. (SBU) The same construction companies which have been active in Turkmenistan in the post-Soviet period continue to dominate the major market share. Turkish companies control over 80% of the business, although some companies seem to have lost their lead under the present administration. (NOTE: Foreign companies import their own workforce rather than hire local labor for projects. END NOTE.)

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Gap Insaat has historically dominated the field. Out of a total of 44 buildings delivered for Turkmenistan's 15th anniversary in October 2006, Gap Insaat completed 17 projects (\$200 million) (Ref B). Gap Insaat Business Development Manager Aziz Cengel told the A/DCM that they no longer build apartment buildings. Due to their technical capability that only few foreign companies have in Turkmenistan, Cengel said Gap Insaat focuses on more expensive projects, such as industrial factories and socio-cultural facilities. Since the new president came into office, Gap Insaat has received only \$70 million in new contracts. In contrast, Polimeks has signed contracts worth over \$170 million. Sehil Insaat has signed contracts worth over \$120 million.

BOUYGUES

18. (SBU) The French company Bouygues presents the most serious competition to Turkish companies and maintains its popularity with the new government. Bouygues built the most lavish buildings in Ashgabat: the Presidential Palace, the largest mosque in Central Asia, and ministry buildings. Current projects include the Commodity Exchange and Ministry of Trade (\$64 million) and Halk Maslahaty (parliament) (\$90 million). Bouygues has also secured three more major contracts: State Joint-Stock Corporation of TurkmenHaly (Turkmen Carpets) and Carpet Museum (\$35 million), a complex of agricultural sector buildings (\$57 million) and residential building and sport complex for officers of the Ministry of National Security (\$85 million).

19. (SBU) During a meeting on May 4 that was later telecast, President Berdimuhamedov requested CEO Martin Bouygues to prepare a presentation on further development of Ashgabat. In addition, he asked Bouygues to develop "their [Bouygues'] version of the Ashgabat city project" of south Ashgabat. (NOTE: Gap Insaat has been pushing this mega project for over year and a half. Gap's \$3 billion version includes a series of building complexes, an artificial lake, and a 220-meter monument building to symbolize the Golden Age of Turkmenistan. END NOTE.) Moreover, the president requested Bouygues to come up with expansion projects for the Turkmenbashi and Seydi oil refineries and for overall modernization

of the energy infrastructure of the country.

¶10. (SBU) COMMENT: Although Berdimuhamedov tries to "diversify" his options by gathering bids from different companies, the main contractors remain the usual Turkish companies and Bouygues. By relying heavily on foreign construction firms, the government of Turkmenistan is not only paying highly inflated prices for its buildings, but also is impeding the development of a local work force skilled in construction. END COMMENT.